

Staff Report for 2018 State Board of Equalization

September 24, 2018

File No.: 2018-DICKINSON-SILVERGATE

Prepared By: Property Tax Division – KV

County or City: Stark County

Appellant: Carlos Royal

Issue: Protests the assessment of parcel numbers 41-0050-0302-0000

Summary: Carlos Royal, owner of Silvergate Townhomes, protests the assessment on the complex located within the City of Dickinson.

Analysis: The City of Dickinson Board of Equalization was presented an original valuation of \$797,700 by the Dickinson City Assessor, Mr. Joe Hirschfeld. The board requested Mr. Hirschfeld to review the properties that were appealed and provide an updated valuation before approving. The City Board of Equalization reconvened and Mr. Hirschfeld provided a recommendation of \$797,700. The Stark County Board of Equalization approved the recommendation. Mr. Carlos Royal, owner of the complex, has had an independent appraisal completed and has followed the appeal process as provided in North Dakota statute.

An onsite inspection was completed by members of the Property Tax Division on August 22, 2018. Due to the townhomes not having a vacancy we were only able to walk around the exterior. The townhomes were constructed in 1979. The complex consists of three 4-unit townhomes; side-by-side; all 2 bed/1.5 bath and 2 story. Attached garages are located at the east and west end of each townhome; for a total of 6 garages. The townhomes have had routine maintenance and appear to be typical for the age of the complex.

Consideration was given to the three approaches to value. The cost approach was provided by the City of Dickinson's Assessor Office. Mr. Royal is not disputing cost to build. He contends that income and sales approach are not being considered. With comparable sales and income information provided to the State Board of Equalization the sales and income approach are the most relevant approaches to consider. Using information available throughout all of the appraisals, provided by the appellants, for the Stark County appeals, visiting with Mr. Hirschfeld, and consulting with other county tax officials the following income approach was calculated.

The subject property has an estimated potential gross income of \$104,400, a 20% vacancy and loss was deducted for an effective gross income of \$83,520. Allowable expenses of 40% was subtracted from the effective gross income, which calculated a final potential net operating income of \$50,112. A loaded capitalization rate of 8% provided the final estimate of value at \$626,400. The income approach was further supported by using a market gross income multiplier (GIM). The GIM of 5.9 was calculated using information from the sales provided by the appraisals submitted. The GIM is calculated by dividing the sale price of a property that sold by the annual gross income. The GIM indicated \$615,960.

The sales information was gathered with the appraisals provided for the appealed properties in Stark County. Additional sales were also provided by Mr. Hirschfeld. The sales provided were narrowed to provide a sample of sales most comparable to the subject property. Also included in the sales comparison approach were two current listings. The sales/listings indicate an average listing/sale of \$50,934 a unit. The subject property has 12 units, indicating a value of \$611,203.

Considering the three approaches to value the income and sales approach were given the most consideration.

Recommendation: Decrease parcel 0050-0302-0000 by 23%. Resulting in an approximate assessment at \$614,000. Direct the Dickinson City Assessor to continue to closely monitor the market and make adjustments as necessary to maintain equitable and equalized assessments.